

**BY ORDER OF THE
SECRETARY OF THE AIR FORCE**

AIR FORCE INSTRUCTION 63-138

21 MAY 2013



Acquisition

ACQUISITION OF SERVICES

COMPLIANCE WITH THIS PUBLICATION IS MANDATORY

ACCESSIBILITY: Publications and forms are available for downloading or ordering on the e-Publishing website at www.e-publishing.af.mil

RELEASABILITY: There are no releasability restrictions on this publication

OPR: AFPEO/CM

Certified by: AFPEO/CM
(Mr Randall D. Culpepper)

Pages: 27

This instruction implements Air Force policy for the acquisition and management of services within the United States Air Force. This publication implements the Federal Acquisition Regulation (FAR), Defense FAR Supplement (DFARS), Air Force FAR Supplement (AFFARS), and Department of Defense Instruction (DoDI) 5000.02, *Operation of the Defense Acquisition System*. This Air Force Instruction (AFI) applies to Headquarters Air Force (HAF), Program Executive Officers (PEOs), Technology Executive Officers (TEOs), all major commands (MAJCOMs), field operating agencies (FOAs), and direct reporting units (DRUs). This instruction applies to the United States Air Force Reserve, however it does not apply to the United States Air National Guard. It is applicable to all service acquisitions with a total contract value greater than or equal to the Simplified Acquisition Threshold (SAT) (FAR 2.101), except as listed herein. It applies to all activities including Unified and Combatant Commands who acquire services through an Air Force Contracting Office (see DoD Directive (DoDD) 5100.03, *Support of the Headquarters of Combatant and Subordinate Unified Commands*). MAJCOMs, FOAs, and DRUs may not supplement this AFI in a manner that would restrict the acquisition flexibilities contained herein. Refer recommended changes and conflicts between this and other publications to Air Force Program Executive Officer for Combat and Mission Support (AFPEO/CM), 112 Luke Avenue, Building 5683 Suite 330, Joint Base Anacostia-Bolling, Washington DC 20302, on Air Force Form 847, *Recommendation for Change of Publication*. Ensure that all records created as a result of processes prescribed in this publication are maintained in accordance with Air Force Manual (AFMAN) 33-363, *Management of Records*,

and disposed of in accordance with the *Air Force Records Disposition Schedule* (RDS) located in the *Air Force Records Information System* (AFRIMS).

SUMMARY OF CHANGES

This is the first issuance of AFI 63-138. The document must be reviewed in its entirety.

Chapter 1—PURPOSE AND APPLICABILITY	4
1.1. Purpose of AFI 63-138, Acquisition of Services.	4
1.2. Applicability.	6
1.3. Waivers.	6
Table 1.1. Services Category Authority Thresholds.	7
Chapter 2—RESPONSIBILITIES FOR PORTFOLIO MANAGEMENT	8
2.1. Service Acquisition Responsibilities.	8
2.2. SAE Responsibilities.	8
2.3. SMS Responsibilities:	8
2.4. PEO/TEO Responsibilities:	9
2.5. MAJCOM/CC, FOA/CC, and DRU/CC Responsibilities:	9
2.6. Program Executive Officer for Combat and Mission Support (AFPEO/CM) Responsibilities:	10
2.7. SDO Responsibilities:	10
2.8. SA Responsibilities:	11
Chapter 3—APPROVAL OF SERVICE ACQUISITION REQUIREMENTS	12
3.1. Overview.	12
3.2. Applicability.	12
3.3. Documentation.	12
3.4. Process.	12
3.5. Approval.	13
Figure 3.1. Requirement Approval Process.	14
Chapter 4—ACQUISITION PLANNING CONSIDERATIONS	15
4.1. Initial Considerations.	15
4.2. Contract Period of Performance.	15
Chapter 5—PERFORMANCE/EXECUTION REVIEWS AND REPORTING REQUIREMENTS	16

5.1.	Review of the Management and Oversight of Service Acquisition Portfolio.	16
Figure 5.1.	Assessment Battle Rhythm.	17
5.2.	Annual Execution Review.	17
5.3.	Reporting Requirements.	18
Chapter 6—	SERVICE ACQUISITION MANAGEMENT AND OVERSIGHT	19
6.1.	Overview.	19
6.2.	Performance-Based Service Acquisition (PBSA).	19
6.3.	Multi-Functional Team.	20
6.4.	Initial Contract Performance Review.	20
6.5.	Contracting Officer Representative (COR).	21
Chapter 7—	RESERVED	22
7.1.	This chapter is reserved for future implementation of an AF service acquisition training and certification program.	22
Chapter 8—	MIPR'D REQUIREMENTS	23
8.1.	Management and Post-Award Oversight of MIPR'd Requirements.	23
Attachment 1—	GLOSSARY OF REFERENCES AND SUPPORTING INFORMATION	24

Chapter 1

PURPOSE AND APPLICABILITY

1.1. Purpose of AFI 63-138, Acquisition of Services. Contracted services comprise a significant portion of Air Force mission support resources. They provide support in diverse mission areas such as information technology; flight line and depot maintenance; base operations; advisory and assistance services to our acquisition and logistics managers; and healthcare. Proper management of these contracted services from requirements definition through contract execution is critical to Air Force mission success and enhances our ability to maximize the efficiency of Air Force resources. This AFI will help our mission owners (i.e. functional commanders and functional directors (FC/FD)) and their program/project leads become demanding customers. Collectively, we must ensure contractors provide services that meet all contractual requirements. This AFI defines the responsibilities, reviews/approvals and performance expectations of all participants responsible for acquiring services in a Better Buying Power (BBP) environment where expectations are to increase utilization of small businesses in services while ensuring the exacting delivery of contractor promised performance. The products and processes may be extensively tailored to meet Services Designated Official (SDO) needs but shall remain consistent with the intent of this instruction.

1.1.1. This instruction defines the requirements approval, service acquisition oversight and management processes to ensure service requirements are properly vetted and periodically re-validated to most efficiently utilize limited Air Force resources. Though requirements definition or outsourcing processes are not covered in depth in this instruction, the processes herein shall be used in conjunction with sound requirements definition processes and those which would govern the proper use of various types of manpower resources.

1.1.2. Overview. There are three resource components responsible for accomplishing the Air Force mission: military personnel, agency civilians, and contractor personnel. Contractor support covers a wide range of missions and mission support areas. FAR 37 defines a service acquisition contract as one that directly engages the time and effort of a contractor, whose primary purpose is to perform an identifiable task rather than to furnish an end item of supply. Mission commanders and FCs/FDs are responsible for contracted services associated with their assigned mission. As such, they execute specified management and oversight responsibilities of the acquisition process and provide oversight for delivery of acquired services.

1.1.2.1. Objectives. Acquired services shall support and enhance the war-fighting capabilities of the Air Force and the Unified Commands.

1.1.2.1.1. Acquired services shall be based on clear, performance-based requirements to the maximum extent practicable; include identifiable and measurable cost, schedule, and performance outcomes consistent with mission owner requirements; receive adequate planning; and provide for active management by a multi-functional team (MFT) to ensure achievement of defined outcomes in cost, schedule and performance.

1.1.2.1.2. Services shall be obtained in the most cost-effective manner, under full and open competitive procedures and/or small business set-aside competitions (based on

Air Force-wide market intelligence) to the maximum extent practicable. Requirements definition and approval must consider socio-economic goals and statutes, and must mitigate potential conflicts of interest. Selection of contract type is a critical aspect of the planning process and serves to incentivize proper contractor performance behaviors and cost control. See Chapter 4 for additional information.

1.1.2.2. Authorities.

1.1.2.2.1. Service Acquisition Executive (SAE). Pursuant to HAF Mission Directive 1-10, the Assistant Secretary of the Air Force for Acquisition (SAF/AQ) serves as the SAE at the direction of the Secretary of the Air Force (SECAF). The SAE is responsible for establishing management structures to ensure effective implementation of service acquisition policy.

1.1.2.2.2. Single Manager for Services (SMS). The SAE has chosen to utilize a SMS for establishing management structures to ensure effective implementation of service acquisition policy. SMS responsibilities are defined in paragraph 2.3.

1.1.2.2.3. Services Designated Official (SDO). SDO authority delegations are identified in Table 1.1. SDO responsibilities are defined in paragraph 2.7.

1.1.2.2.4. Service Advocate (SA). The SA serves as the direct representative of AFPEO/CM and acts as a liaison with the MAJCOM, FOA, or DRU.

1.1.2.3. Process.

1.1.2.3.1. Pre-Award. The success of contracted services depends largely on the preparation and planning conducted prior to solicitation and award.

1.1.2.3.1.1. Requirement Approval. Following preliminary market research, the acquisition team formulates a solution for the mission requirement. When the solution is to contract for a service, senior officials must approve the requirement prior to approval of the acquisition strategy. Refer to Table 1.1. and Figure 3.1. Approval by an MDA for an ACAT program of record captured within program milestone decision documents shall serve as requirements approval for embedded services. No further approval for those services is required.

1.1.2.3.1.2. Early Strategy and Issues Session (ESIS). Early in the acquisition process, the acquisition team, to include the SMS, should communicate openly and frequently on the details of the acquisition. This communication enables the sharing of ideas and best practices prior to the formation of the formal acquisition strategy.

1.1.2.3.1.3. Acquisition Plans. Appropriate acquisition planning is critical for a successful acquisition. FAR 7.1, DFARS 207.1, and AFFARS 5307.1 address policies related to acquisition planning and development of written acquisition plans.

1.1.2.3.2. Award. The acquiring organization shall comply with the reporting requirements in paragraph 5.3.

1.1.2.3.3. Post-Award. After award of the contract, the multi-functional team must monitor contractor performance and the health of the organization's acquisition and

management of services. See Chapters 5 and 6 for further guidance on management and oversight of service acquisitions.

1.2. Applicability.

1.2.1. This instruction applies to:

1.2.1.1. All Air Force organizations acquiring services, including HAF, PEOs, TEOs, MAJCOMs, FOAs and DRUs.

1.2.1.2. Services acquired by and/or for the Air Force.

1.2.1.3. All organizations involved in writing requirements documents for service acquisitions.

1.2.1.4. All service acquisitions with a contract value greater than or equal to the Simplified Acquisition Threshold (SAT) (FAR 2.101) acquired with appropriated funds, with the exception of research and development (R&D), construction, architect-engineering and utilities.

1.2.1.5. Embedded services. As used in this AFI, embedded services mean those services with a value greater than or equal to the SAT placed on a supply or weapon system contract as a separately priced services CLIN. Co-mingled requirements that are indistinguishable and not reported as services are not considered services under this AFI.

1.2.1.6. Advisory and assistance services (A&AS), even if those services support R&D, construction, architect-engineering or utility activities.

1.2.1.7. Information Technology (IT) services.

1.2.1.8. Any other service (to include R&D, construction, architect-engineering, and utilities) or service related acquisition designated as a special interest item by the Under Secretary of Defense, Acquisition Technology & Logistics (USD AT&L), the Service Acquisition Executive (SAE), or the SMS.

1.2.2. Federally Funded Research and Development Centers shall follow processes outlined in *DoD Federally Funded Research and Development Center Management Plan* for requirements definition, approval and execution and are not bound by the procedures set forth in this AFI.

1.2.3. For service acquisitions and embedded services with a total contract value below the SAT, the FAR and applicable supplements govern. Management and oversight principles of this instruction shall be utilized to the maximum extent practicable.

1.3. Waivers.

1.3.1. Waivers to this AFI may only be granted by the SAE through the SMS or as specified in delegations enumerated in service management agreements (SMA) executed with the responsible SDOs. SDOs shall submit waiver requests through the SMS for coordination and forwarding to the SAE, unless a unique arrangement is defined in an SMA.

1.3.2. This instruction shall not impede the ability of the SAE or any SDO from rapidly responding to urgent situations. Any urgent situation that requires a deviation from this AFI shall be reported in writing to the SMS within 10 calendar days of the action.

Table 1.1. Services Category Authority Thresholds.

Services Category (S-CAT) Thresholds for Service Acquisitions within the US Air Force			
Services Category	Threshold ^(Notes 1-3)	Services Designated Official ^(Notes 4 & 5)	Requirement Approval Authority ^(Notes 5 -7)
Special Interest	As designated by USD(AT&L), SAF/AQ or SMS	AT&L, SAF/AQ; AFPEO/CM as delegated	SAF/AQ
Services Category I	Acquisitions ≥ \$1B	AFPEO/CM or other PEO/TEO (delegable)	SAF/AQ (delegable)
	Acquisitions ≥ \$250M < \$1B	AFPEO/CM or other PEO/TEO (delegable)	SAF/AQ (delegable)
Services Category II	Acquisitions ≥ \$100M < \$250M	AFPEO/CM or other PEO/TEO (delegable)	SAF/AQ (delegable)
	Acquisitions ≥ \$10M < \$100M	PEO/TEO or MAJCOM/FOA/DRU/CC (delegable)	PEO/TEO, HAF Principal, MAJCOM/FOA/DRU/CC/CV, or equivalent
Services Category III	Acquisitions ≥ SAT but < \$10M	PEO/TEO/MAJCOM/FOA/DRU/CC (delegable)	PEO/TEO, HAF Principal, MAJCOM/FOA/DRU/CC/CV, or equivalent, or as delegated to Wg/CC or equivalent (delegable no lower than the 3 letter)
NOTES: 1. The threshold is the cost/price estimate for the total planned service acquisition. 2. Related task orders and/or options within an ordering vehicle shall be viewed as one effort for the purpose of determining the appropriate threshold. 3. SDO for services elements embedded in supply or weapon system contracts is determined by the S-CAT threshold corresponding to the cost/price of the embedded service. 4. SDO delegations: SDO for S-CAT I must be the PEO/TEO or a General Officer/Senior Executive Service (GO/SES) unless waived by SMS. SDO for S-CAT II must be the PEO/TEO or an O-6/GS-15 or higher. SDO for S-CAT III must be the PEO/TEO or an O-5/GS-14 or higher. 5. All SDOs must be within the PEO/TEO or requirements chain. PEO/TEO has authority only for those requirements in that PEO/TEO's portfolio. 6. Requirement approval authority delegations are documented in paragraph 3.5. 7. Approval by an MDA for an ACAT program of record captured within program milestone decision documents shall serve as requirements approval for embedded services. No further approval for those services is required.			

Chapter 2

RESPONSIBILITIES FOR PORTFOLIO MANAGEMENT

2.1. Service Acquisition Responsibilities. The SAE has delegated responsibility for service acquisitions to the SMS. The SAE delegates enumerated responsibilities to SDOs as defined in Table 1.1.

2.2. SAE Responsibilities. The SAE has overall responsibility for service acquisitions, to include the implementation of guidance and structured governance.

2.3. SMS Responsibilities:

2.3.1. Serve as principal advisor to the SAE for service acquisitions, including embedded services as defined in 1.2.1.5.

2.3.2. Provide governance structures for use by authorities responsible for service acquisitions as defined in this instruction.

2.3.3. Inform, guide and provide advice to PEO/TEOs to support their role in providing oversight for services embedded within or in support of their respective ACAT programs.

2.3.4. Determine key categories of services for grouping within the Air Force acquisition construct and establish a means to guide improvement in the acquisition of those services within that market segment portfolio (e.g. knowledge based services, equipment related services, and facility related services).

2.3.5. Provide and maintain policies, procedures, and governance structure for the management and oversight of service acquisitions; create, update and maintain templates, tools, and guides for use by authorities responsible for service acquisitions.

2.3.6. Support a robust inspection system in accordance with AFI 90-201, *The Air Force Inspection System*, to include functional development, refinement and publishing of high-quality self- assessment checklists for base-level units and functions.

2.3.7. Compile Congressional and OSD reports and be available as requested to respond to Congress and OSD for consultations and oversight reviews for delegated service programs and assist PEO/TEOs as requested in addressing Congress on service acquisition elements within their respective portfolios.

2.3.8. Perform enterprise level analyses, evaluate delegations of responsibility and provide guidance on established policy.

2.3.9. Manage and oversee the requirements approval process for service acquisitions by or for the Air Force.

2.3.10. Compile and maintain a services master list (SML) for acquired services.

2.3.11. Act as the Air Force acquisition liaison to the non-traditional acquisition workforce involved in service acquisitions and provide guidance appropriate for their training in service acquisition procedures. Non-traditional acquisition workforce personnel are those involved in an acquisition, but are not in an acquisition coded position or acquisition related career field.

2.3.12. Foster an appropriate service acquisition culture within the Air Force by focused strategic messaging and through the conduct of periodic service acquisition workshops.

2.3.13. Facilitate requirement approval document (RAD) flow as outlined in paragraph 3.4.1. and Figure 3.1.

2.4. PEO/TEO Responsibilities:

2.4.1. Execute SDO authority and guidance for service acquisitions within their portfolio as outlined in Table 1.1.

2.4.2. Coordinate with MAJCOM/CCs, other affected PEO/TEOs and the SMS on the portfolio assignment of acquisitions where responsibility is unclear.

2.4.3. Ensure the SMS is invited to Acquisition Strategy Panels (ASPs) for service acquisitions, including those containing embedded services, going to SAF/AQ, and ensure that relevant documents are available to the SMS in advance of the ASP.

2.4.4. Conduct Annual Execution Reviews (AERs) in accordance with paragraph 5.2. Send AER and Services Program Health Review documents to SAF/AQ with a courtesy copy to the SMS in order to facilitate the SMS role as an advisor to the SAE.

2.4.5. Ensure the SMS is invited to attend recurring program reviews which include service acquisitions greater than or equal to \$100M to facilitate the SMS role as an advisor to the SAE.

2.4.6. Issue PEO/TEO service acquisition supplements that address organizational roles and responsibilities, training, and reporting for use by all subordinate units, as needed. All such supplements shall be coordinated with the SMS.

2.4.7. Ensure personnel assigned to work service acquisition elements within their programs are properly resourced and trained on the service acquisition life cycle from requirements generation through contract closeout.

2.4.8. Engage with requiring organizations to ensure periodic re-validation of portfolio services requirements greater than or equal to \$10M at least every five years.

2.4.9. Ensure all PEO/TEO requirements for services greater than or equal to \$100M are forwarded through the SMS for approval by SAF/AQ unless otherwise delegated. Validated requirements will be forwarded from the SAF/AQ to the SECAF and Vice Chief of Staff of the Air Force (VCSAF).

2.4.10. Ensure service acquisitions are coordinated with the servicing Air Force manpower office for review and approval in accordance with AFI 38-201, Chapter 6, 10 USC 2383 (b)(2) and DoDI 1100.22.

2.5. MAJCOM/CC, FOA/CC, and DRU/CC Responsibilities:

2.5.1. Execute SDO authority and provide guidance for service acquisitions in their portfolio as outlined in Table 1.1.

2.5.2. Request from SMS, based on oversight authority level, delegation of SDO authority for programs greater than or equal to \$100M.

2.5.3. Coordinate with PEO/TEOs on the portfolio assignment of acquisitions or programs where responsibility is unclear, as necessary.

2.5.4. Conduct AERs in accordance with paragraph 5.2.

2.5.5. Ensure the SMS is invited to attend recurring program reviews for service acquisitions greater than or equal to \$100M to facilitate the SMS role as an advisor to the SAE.

2.5.6. Issue MAJCOM service acquisition supplements which address organizational roles and responsibilities, training, and reporting for use by all subordinate units, as needed. All such supplements shall be coordinated with the SMS.

2.5.7. Ensure command personnel are properly resourced and trained on the service acquisition life cycle from requirements generation through contract closeout.

2.5.8. Engage with requiring organizations to ensure periodic re-validation of portfolio services requirements greater than or equal to \$10M at least every five years.

2.5.9. Ensure all MAJCOM requirements for services greater than or equal to \$100M are forwarded through the SMS for approval by SAF/AQ. Validated requirements will be forwarded from the SAF/AQ to the SECAF and Vice Chief of Staff of the Air Force (VCSAF).

2.5.10. Ensure service acquisitions are coordinated with the servicing Air Force manpower office for review and validation in accordance with AFI 38-201, Chapter 6, 10 USC 2383 (b)(2) and DoDI 1100.22.

2.6. Program Executive Officer for Combat and Mission Support (AFPEO/CM) Responsibilities:

2.6.1. Execute SDO authority for assigned portfolio of service acquisitions.

2.6.2. Dedicate and prepare full-time program directors responsible for coordinating service acquisitions and managing day-to-day activities for assigned portfolio of services, advising on delegations of authority, and conducting enterprise level analyses.

2.6.3. Delegate SDO authority to MAJCOM/CCs, FOA/CCs and DRU/CCs via SMAs. AFPEO/CM acquisition and management authorities (e.g. expressed SDO, Source Selection Authority (SSA), Acquisition Plan approval, Fee Determining Official (FDO), Determinations and Findings) may be granted to MAJCOM/FOA/DRU officials and will be specifically delineated in the SMA. Delegation decisions shall include consideration of leadership commitment, degree of service acquisition maturity, continuous process improvement, the qualifications and experience of the proposed designee, and the structure in place to support the management and oversight of the service acquisition.

2.6.4. Prior to submission to SAF/AQ, review and approve documentation related to service acquisitions above delegated authority.

2.6.5. Ensure service acquisitions are coordinated with the servicing Air Force manpower office for review and validation in accordance with AFI 38-201, Chapter 6, 10 USC 2383 (b)(2) and DoDI 1100.22.

2.7. SDO Responsibilities:

- 2.7.1. Manage and oversee service acquisitions in accordance with this and other applicable instructions.
- 2.7.2. When appropriate, evaluate and coordinate with the SMS opportunities to meet strategic sourcing objectives.
- 2.7.3. Depending on delegated authority, coordinate with AFPEO/CM for all requirements with an estimated value greater than or equal to \$100M.
- 2.7.4. At least annually, conduct or evaluate periodic spend analyses for service acquisitions under their authority.
- 2.7.5. Conduct an AER to assess progress of the acquisition against approved cost, schedule, and performance metrics (see paragraph 5.2).
- 2.7.6. Conduct an assessment of the health of the organization's acquisition and management of services; review any risk mitigation actions.
- 2.7.7. Ensure an adequately planned and resourced management approach to monitor contractor performance including quality assurance surveillance and tracking procedures. Ensure the building of required partnerships with mission owners and the MFT.
- 2.7.8. At least annually, provide an updated list of service acquisitions valued above the SAT to the SMS for inclusion in the SML.
- 2.7.9. Hold rank/grade in accordance with note 4 of Table 1.1. In special circumstances, the SMS may consider an exception to the grade requirement but with the intention that the SDO be an operational mission owner with investment in the service acquisition process and access to GO/SES organizational leadership.

2.8. SA Responsibilities:

- 2.8.1. Serve as the principal point of contact for service acquisitions within the MAJCOM, FOA, or DRU, as defined in their SMA.
- 2.8.2. Hold rank of GO/SES. In special circumstances, the SMS may consider an exception to the grade requirement but with the intention that the SDO be an operational mission owner with investment in the service acquisition process and access to GO/SES organizational leadership.
- 2.8.3. Ensure their organization remains proactively engaged in service acquisition processes, policies, and procedures.
- 2.8.4. Coordinate required periodic reports and responses to data calls for service acquisitions within their organizations.
- 2.8.5. Execute all roles and responsibilities as defined in their SMA.

Chapter 3

APPROVAL OF SERVICE ACQUISITION REQUIREMENTS

3.1. Overview. The requirement approval process provides for coordination, discussion of alternatives for requirement fulfillment and senior leader approval. The approval of the requirement is not a funding approval process. Requirement approval documentation and coordination processes should be as simple as possible while conveying the required information to senior leaders.

3.2. Applicability. Requirement approval shall be accomplished for:

3.2.1. All Air Force service requirements with a total anticipated contract value greater than or equal to the SAT, including those procured by non-Air Force activities (e.g. General Services Administration (GSA)).

3.2.2. Services embedded in supply or weapon system contracts where the total contract value of the service is greater than or equal to the SAT. Approval by an MDA for embedded services within an ACAT program of record that are captured within program milestone decision documents shall serve as requirements approval for embedded services. No further approval for those services is required. The services portion of the acquisition shall be managed with the principles of this AFI to this maximum extent practicable.

3.2.3. Any proposed action that results in an increase of more than 25 percent (cumulative) of the total estimated service acquisition value and/or which would change the requirements approval authority level as defined in Table 1.1. must be approved by the approval authority for the new total service acquisition value.

3.2.4. Any proposed modification and/or task order that would result in work that was not validated and approved in the existing requirement approval documentation for the contract shall be revalidated by the appropriate approval authority for the new total service acquisition value, based on the amount of the action plus the amount of the original awarded contract, in conjunction with a Justification & Approval.

3.3. Documentation. Requirements documents shall be developed consistent with the scope and complexity of the service requirement. The following shall be provided:

3.3.1. Explanation of the mission, need for the requirement and the outcomes to be achieved.

3.3.2. How the requirement was previously satisfied. If not on a previous or current contract, an explanation of what changed in the environment, and why the need now exists.

3.3.3. The nature and extent of market research conducted, to include any applicable benefit analysis performed for bundling and/or consolidation.

3.3.4. Explanation of why the requirement must be filled through a contract and cannot be fulfilled organically.

3.4. Process.

3.4.1. The requiring activity (the organization responsible for obtaining funding or developing the Program Objective Memorandum (POM)) shall obtain requirement approval from the appropriate requirement approval authority as soon as new requirements, follow-on

requirements or changes to recurring requirements are identified. If there are multiple requiring activities, a memorandum of agreement (MOA) shall be executed under PEO/TEO/MAJCOM/FOA/DRU guidance identifying the lead activity and, if appropriate, the lead organization for execution of the acquisition. If the requirement, or the services element of the requirement, is estimated to total \$100M or more, the MOA shall be staffed through the SMS.

3.4.2. PEO/TEO/MAJCOM/FOA/DRU shall submit a quarterly report of service requirements approved during that quarter with an estimated annual value of \$10M or more to the SMS. The SMS will provide a quarterly report of approved service requirements with an estimated annual value of \$10M or more to SAF/AQ to forward as follows:

3.4.2.1. "Operational Requirements" to the VCSAF for dissemination to Combatant Commands (COCOMs), providing them awareness of future operational capabilities. Operational services requirements are those services directly supporting a COCOM's war-fighting mission.

3.4.2.2. "Support Requirements" to the SECAF, providing awareness of future support capabilities. Support service requirements are all services other than operational requirements.

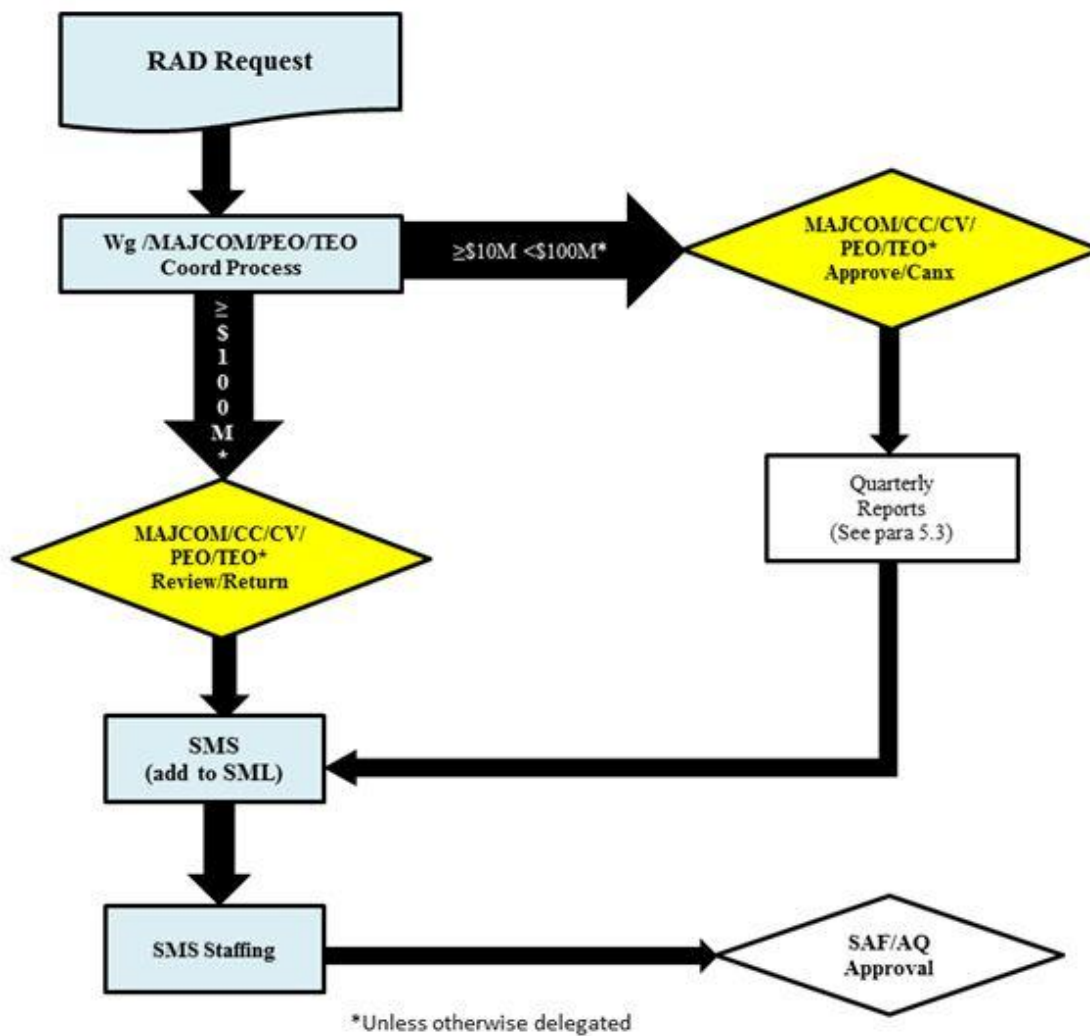
3.5. Approval. Requirements must be validated by the appropriate authority (refer to Table 1.1.) prior to the formation of the acquisition strategy. Requirement approval is not required for exercising options that were considered and included in the requirement approval during the original acquisition.

3.5.1. Requirement approval for new service acquisitions valued at \$10M or more but less than \$100M rests with the PEO/TEO/MAJCOM/FOA/DRU responsible for the execution of the associated funding or POM.

3.5.2. Requirement approval for new service acquisitions valued at less than \$10M rests with the PEO/TEO/MAJCOM/FOA/DRU responsible for the execution of the funding or POM but can be delegated to the Wing Commander, Director or equivalent responsible for execution as appropriate.

3.5.3. When USD(AT&L) approval is required (see Table 1.1.), PEO/TEO/MAJCOM/FOA/DRU focal points shall, before the solicitation is issued, or for 'other than full and open' competition, before negotiations commence, coordinate with the SMS and assist in the preparation and submission of the requirements document to USD(AT&L). Within 10 working days after receipt of the notification, USD(AT&L) or designee may direct a review of the proposed requirement to be accomplished within 30 days of such direction. Issues arising from the review shall be resolved in accordance with procedures specified by USD(AT&L) or designee, in direct coordination with SAF/AQ through the SMS. If USD(AT&L) does not notify the SMS or requiring organization focal point within the 10 working days, the acquisition may proceed.

Figure 3.1. Requirement Approval Process.



Chapter 4

ACQUISITION PLANNING CONSIDERATIONS

4.1. Initial Considerations.

4.1.1. Acquisition approaches that maximize competition shall be the norm and organizations shall make every effort to achieve the maximum competition possible for both current and future requirements.

4.1.2. Contract type and oversight is critical to the sustainability of a program. Deviations from recommended business practices shall be addressed in the acquisition plans.

4.2. Contract Period of Performance.

4.2.1. The period of performance for acquisitions of A&AS shall be as follows:

4.2.1.1. Acquisition strategies for single-award A&AS contracts shall limit the period of performance to three years, including options, in accordance with 10 USC 2304(b), unless, by exception, it is justified for longer periods and approved by the SMS (unless otherwise delegated).

4.2.1.2. Multiple award indefinite delivery/indefinite quantity (IDIQ) A&AS contracts are limited to five years, including options, if on-ramp provisions are included to refresh/update the competitor pool. If on-ramp provisions are not included, multiple award IDIQ A&AS contracts are limited to a total of three years.

4.2.2. The period of performance for non-A&AS acquisitions, including service acquisition elements within a PEO/TEO portfolio, shall not exceed five years unless approved by the SDO. Consideration for periods of performance greater than five years shall be given to programs critical to operational readiness (e.g., training simulator systems and programs impacting energy savings initiatives).

Chapter 5

PERFORMANCE/EXECUTION REVIEWS AND REPORTING REQUIREMENTS

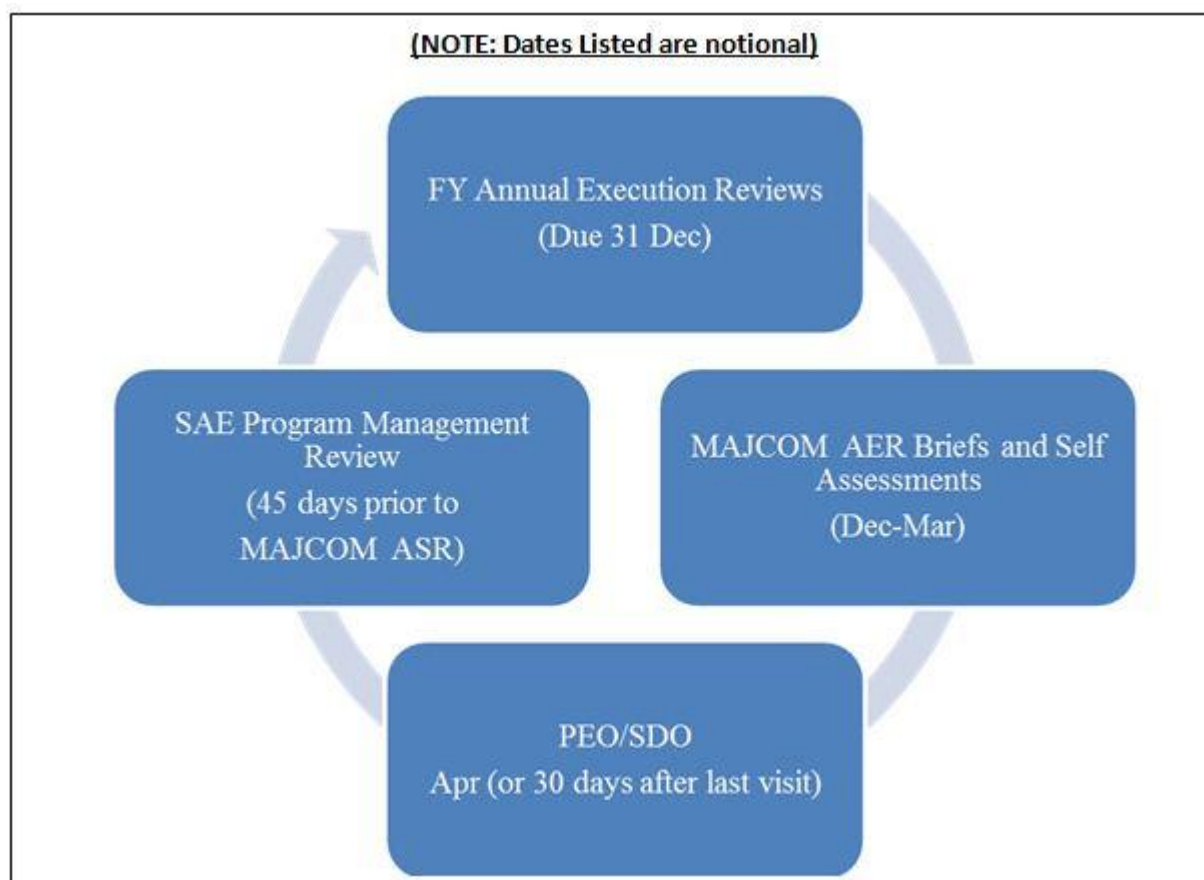
5.1. Review of the Management and Oversight of Service Acquisition Portfolio.

5.1.1. **AFPEO/CM Portfolio, “Annual Services Program Health Review.”** This is a review of the management and oversight approach of SAs and other AFPEO/CM designees. SAs and designees shall perform a review of all eligible AFPEO/CM service acquisitions within their portfolio. This brief shall be presented to the AFPEO/CM during the MAJCOM AER.

5.1.2. **PEO/TEO Service Acquisition Portfolios for Acquisitions Greater Than or Equal to \$100M.** Each PEO/TEO shall conduct an annual review of their services portfolio to assess the health of services acquisition program. The review should be similar in style and content to the Annual Services Program Health Review conducted by AFPEO/CM. The review may be extensively tailored to meet individual PEO/TEO needs but should be conducted in the timeframes consistent with Figure 5.1., “Assessment Battle Rhythm.” This information shall be available for review by the SAE and the SMS, as requested. A PEO/TEO may request assistance from the SMS for the conduct of their annual review.

5.1.3. **Service Acquisition Portfolios for Acquisitions Less Than \$100M but Greater Than or Equal to the SAT.** PEO/TEO/MAJCOM/FOA/DRU SDOs shall conduct a review similar in style and content to the Annual Services Program Health Review. The review may be extensively tailored to meet SDO needs. This information shall be available for review by SMS as requested.

Figure 5.1. Assessment Battle Rhythm.



5.2. Annual Execution Review. The AER shall, at a minimum, assess an individual service acquisition's progress against approved cost, schedule, and performance metrics and, as appropriate and available, review the summary of evaluations from the Contractor Performance Assessment Reporting System (CPARS).

5.2.1. AFPEO/CM Portfolio. An AER is required for service acquisitions in pre-award phases, when requested, and those in post award performance. They shall be prepared and performed primarily by the program manager and functional staff, with assistance from the contracting officer as necessary. Electronic reports of execution reviews conducted in each fiscal year should be sent to the respective AFPEO/CM program director. The cutoff date for submission of all AER reports conducted in the prior fiscal year is the last working day of December.

5.2.1.1. Pre-Award. The focus of the pre-award AER is on concerns, lessons learned and adherence to the acquisition strategy, estimated cost and schedule.

5.2.1.2. Post-award. The focus of the post-award AER is fulfillment of requirements by comparison of outputs and outcomes to requirements using cost, schedule, and performance metrics.

5.2.2. PEO/TEO Service Acquisition Portfolios for Acquisitions Greater Than or Equal to \$100M. The PEO/TEO is responsible for conducting and documenting AERs. The review shall be similar in content to the AER at paragraph 5.2.1., however it may be

extensively tailored to meet PEO/TEO needs. This information shall be available for review by the SMS upon request. A PEO/TEO may request assistance from the SMS for the conduct of their annual review.

5.2.3. Service Acquisition Portfolios for Acquisitions Less Than \$100M but Greater Than or Equal to the SAT. The SDO is responsible for conducting and documenting AERs. The review shall be similar in content to the AER at paragraph 5.2.1., however it may be extensively tailored to meet SDO needs. This information shall be available for review by the SMS upon request. A SDO may request assistance from the SMS for the conduct of their annual review.

5.3. Reporting Requirements.

5.3.1. Requirements Approval Documents. Approved RADs with an estimated annual value of \$10M or more shall be reported to the SMS quarterly. See paragraph 3.4.2.

5.3.2. Services Master List.

5.3.2.1. Service Contracts. The SMS will utilize FPDS-NG to compile a list of all acquisitions coded as a service.

5.3.2.2. Embedded services. No later than the last duty day of June, SDOs, PEO/TEOs or MAJCOMs shall provide a list of embedded services with a value greater than or equal to the SAT. The list shall encompass the previous fiscal year and be sent to the SMS for inclusion in the SML.

5.3.3. Data. Upon award, an electronic copy of the contract or task order shall be submitted to the SMS for contracted services greater than or equal to \$100M, including those with delegations. Data to accompany the contract shall include the total number of offerors and, for multiple award IDIQs, the number of contracts awarded.

5.3.4. Initial Contractor Performance Review. For acquisitions greater than or equal to \$100M, results of the initial performance review shall be reported to the SDO as outlined in paragraph 6.4.2.

5.3.5. Management and Oversight of MIPRs. At least annually, SDOs shall provide the SMS with a report of MIPR status as outlined in Chapter 8.

Chapter 6

SERVICE ACQUISITION MANAGEMENT AND OVERSIGHT

6.1. Overview. Proper management and oversight is required on all service acquisitions. Effective service acquisitions have mission support strategies that obtain higher levels of contractor performance, foster synergistic partnerships, accommodate changing or unforeseen mission needs, and leverage commercial best practices. Services shall be performance-based to the maximum extent practicable. The following elements are critical to the successful delivery of required performance by contractors:

6.1.1. Use of MFTs.

6.1.2. Deliberate acquisition planning.

6.1.3. Well defined requirements (e.g. Performance Work Statement (PWS), Quality Assurance Surveillance Plan (QASP)).

6.1.4. Management of service delivery through active surveillance of services.

6.1.5. Adequate resourcing (personnel, funding, organizational support).

6.1.6. Accurate and timely CPARS.

6.2. Performance-Based Service Acquisition (PBSA). Performance-based service acquisition is applicable to all service acquisitions. A performance-based service acquisition consists of the following:

6.2.1. Early Strategy and Issues Session. The ESIS is a planning roadmap to the ASP, reducing the risk of re-work for the acquisition strategy development. This session facilitates an early meeting, typically conducted approximately 120 days before the ASP and early enough to support the required contract award date, with senior leaders in the owning organization's chain of command to discuss top level considerations/strategies affecting service acquisitions typically valued greater than or equal to \$100M. The ESIS is intended to be a dialogue; it is not meant to be a strategy decision. The ESIS is most effective when used as an informal, open discussion.

6.2.2. Acquisition Strategy. A service acquisition strategy must develop performance-based requirements that align and track mission objectives complemented by a contract methodology that optimizes and drives performance. The selected contract type, source selection procedures, and contract incentives must align with performance requirements and objectives to achieve mission success.

6.2.3. Market Research. All service acquisitions require market research that demonstrates agency reliance on the commercial marketplace for its capabilities, innovation, technologies, and competitive forces. Equally important, market research identifies capable small businesses to determine the level of small business participation as either a prime or sub-contractor. Market research is essential to the government's ability to buy best-value services that deliver mission-critical results.

6.2.4. Performance Work Statement (PWS). A PWS defines the requirement in terms of results rather than the method of performing the work. The requiring activity develops the

PWS jointly with the other members of the MFT. The PWS shall cite reference directives (e.g. publications, instructions) by specific process/procedure (e.g. paragraph or chapter) rather than the entire publication.

6.3. Multi-Functional Team. The MFT is a customer-focused team instituted under the authority of senior leadership and responsible for assessing contractor performance and managing the requirement over the life of the contract. The emphasis is on teamwork, trust, common sense and agility. Membership may include as few members as the contracting officer, program manager, quality assurance/COR, and functional/technical representative(s). Upon contract award, the contractor(s) is included in the MFT.

6.3.1. Senior Leadership. Senior leaders are responsible for developing, implementing and executing service acquisitions. This responsibility includes the RAD, acquisition strategy, source selection, and performance/contract management of the service throughout the life of the acquisition. Duties are delegable and include:

6.3.1.1. Developing, implementing and executing a performance management assessment program that satisfies mission requirements, fosters innovation, and includes defined metrics. To be effective, metrics must provide meaningful objective measurements of contractor progress aimed at attaining desired outcomes.

6.3.1.2. Ensuring performance management focuses on risk management, cost, schedule and performance baselines. A dedicated program/project management officer is a proven method for managing all assigned service acquisitions.

6.3.1.3. Appointing a MFT of key stakeholders possessing the necessary set of skills to ensure that all service acquisitions integrate the needs of the mission with the requirement to procure performance-based services. Fostering the environment needed to successfully operate, convey business objectives, monitor progress, and correct/elevate delays or problems not resolvable by the MFT. Ensuring personnel on the MFT receive the appropriate training, tailored to meet local needs.

6.4. Initial Contract Performance Review. The initial evaluation of contractor performance is a joint determination by the MFT that the contractor has successfully started performance, completed transition, is fully operational, and is within the estimated cost, schedule, and performance parameters of the contract. The initial performance review criteria shall be included in the QASP or similar documentation. The SDO may waive the initial evaluation for contractors that have continued performance under a successor contract award (prior incumbent), or for contractors that have otherwise demonstrated full compliance with contract start-up. Separate initial contract performance reviews are not required when they would duplicate existing reviews.

6.4.1. Scheduling. The review shall take place within 30 days after the contractor assumes full performance responsibility (i.e. after completion of transition/mobilization).

6.4.2. Reports. For acquisitions greater than or equal to \$100M, results of the initial performance review shall be reported to the SDO. The report shall include an assessment of schedule, management, technical, and cost performance. Negative variations in cost, schedule, staffing, and performance shall be reported with an assessment of the root causes and corrective action plan. Significant modifications to the contract made since contract award shall be included in the initial performance report as special interest items.

6.4.3. Contract Performance Assessment Values.

6.4.3.1. Green--No issues.

6.4.3.2. Yellow--Issue(s) but contractor has an adequate mitigation or corrective action plan in place.

6.4.3.3. Red--Issue(s) with inadequate or no contractor mitigation or corrective action plan. Any "red" assessment shall include the government proposed actions for the failing contractor.

6.4.4. All service acquisitions with a total estimated value greater than or equal to \$1B as well as service acquisitions that are categorized as "Special Interest" shall utilize current OSD review criteria for the acquisition of services.

6.5. Contracting Officer Representative (COR). CORs shall be trained, nominated and appointed in accordance with AFFARS MP5301.602-2(d).

Chapter 7

RESERVED

7.1. This chapter is reserved for future implementation of an AF service acquisition training and certification program.

Chapter 8

MIPR'D REQUIREMENTS

8.1. Management and Post-Award Oversight of MIPR'd Requirements.

8.1.1. MIPRs must be managed in accordance with AFI 65-116. Nothing in this chapter should be interpreted as relief from those requirements.

8.1.2. The SDO shall ensure that effective management and oversight controls are in place for the Air Force requirement being procured by an outside agency. "Outside the agency" means any acquisition not conducted by the Air Force. When utilizing an outside agency, the SDO shall require the same adherence to socio-economic programs (e.g. small business set-asides) and competition requirements as if the acquisition was conducted by an Air Force organization.

8.1.3. At a minimum, the SDO shall provide the SMS an annual report on the status of MIPR'd Air Force service acquisitions, with a value greater than or equal to the SAT, under their portfolio and compliance with management and oversight controls. This report shall be provided as part of, or in conjunction with, the AER to the SMS.

8.1.4. The annual MIPR'd service acquisition report shall address:

8.1.4.1. Summary of quality assurance findings, either produced by an Air Force COR, the outside agency COR, or both.

8.1.4.2. Summary of any performance or program issues associated with the MIPR'd service.

8.1.4.3. The value of any MIPR fee associated with a service acquisition by an outside agency.

8.1.4.4. The value of small business awards at the prime and subcontract levels.

8.1.4.5. Degree of outside agency compliance with management and oversight controls.

Charles R. Davis, Lieutenant General, USAF
Military Deputy, Office of the Assistant
Secretary of the Air Force (Acquisition)

Attachment 1**GLOSSARY OF REFERENCES AND SUPPORTING INFORMATION*****References***

Air Force Contractor Performance Assessment Reporting System (CPARS) Guide, Jun 2011

AFI 10-601, *Operational Capability Based Requirements Development*, 31 Jul 2010

AFI 38-203, *Commercial Activities Program*, 20 Jun 2008

AFI 63-101, *Integrated Life Cycle Management*, 7 Mar 2013

AFI 65-116, *Air Force Purchases Using Military Interdepartmental Purchase Requests (MIPRS)*, 29 Sep 2008

AFI 90-201, *The Air Force Inspection System*, 23 Mar 2012

AFPAM 63-128, *Guide to Acquisition and Sustainment Life Cycle Management*, 5 Oct 2009

AFPD 63-1/20-1, *Integrated Life Cycle Management*, 03 Jul 2012

AFPD 64-1, *The Contracting System*, 7 Dec 2006

DoDI 1100.22, *Polices and Procedures for Determining Workforce Mix*, 12 April 2010

DoDI 5000.02, *Operation of the Defense Acquisition System*, 2 Dec 2008

DoD Services Acquisition Guidebook, 20 Jul 2011

OMB Circular A-76, *Performance of Commercial Activities*, 29 May 2003

Adopted Forms

AF Form 847, *Recommendation for Change of Publication*

Abbreviations and Acronyms

A&AS—Advisory and Assistance Services

ACAT—Acquisition Category

AER—Annual Execution Review

AF—(U.S.) Air Force

AFFARS—Air Force Federal Acquisition Regulation Supplement

AFI—Air Force Instruction

AFMC—Air Force Materiel Command

AFPD—Air Force Policy Directive

AFSPC—Air Force Space Command

ASP—Acquisition Strategy Panel

ASR—Acquisition Strategy Review

COR—Contracting Officer's Representative

CPARS—Contractor Performance Assessment Reporting System

CSAF—Chief Of Staff, United States Air Force

DFARS—Defense Federal Acquisition Regulation Supplement

DOD—Department Of Defense

DODI—Department Of Defense Instruction

DRU—Direct Reporting Unit

ESIS—Early Strategy and Issues Session

FAR—Federal Acquisition Regulation

FC/FD—Functional Commander/Functional Director

FDO—Fee Determining Official

FOA—Field Operating Agency

FPDS—NG —Federal Procurement Data System-Next Generation

GO/SES—General Officer/Senior Executive Service

HAF—Headquarters Air Force

IDIQ—Indefinite Delivery, Indefinite Quantity

IT—Information Technology

MAC—Multiple-Award Contract

MAJCOM—Major Command

MDA—Milestone Decision Authority

MDAP—Major Defense Acquisition Program

MFT—Multi-Functional Team

MIPR—Military Interdepartmental Purchase Request

MOA—Memorandum of Agreement

PBSA—Performance Based Service Acquisition

PCO—Procuring Contracting Officer

PEO—Program Executive Officer

POM—Program Objective Memorandum

PM—Program Manager

PWS—Performance Work Statement

QAPC—Quality Assurance Program Coordinator

QASP—Quality Assurance Surveillance Plan

RAD—Requirement Approval Document

SA—Service Advocate
SAT—Simplified Acquisition Threshold
SAE—Service Acquisition Executive
S-CAT—Service Category
SDO—Services Designated Official
SECAF—Secretary of the Air Force
SII—Special Interest Item
SMA—Service Management Agreement
SML—Services Master List
SMS—Single Manager for Services
SSA—Source Selection Authority
TEO—Technology Executive Officer

Terms

Advisory and Assistance Services (A&AS) —"Advisory and Assistance Services" means those services provided under contract by nongovernmental sources to support or improve: organizational policy development; decision-making; management and administration; program and/or project management and administration; or Research and Development (R&D) activities. It can also mean the furnishing of professional advice or assistance rendered to improve the effectiveness of Federal management processes or procedures (including those of an engineering and technical nature). In rendering the foregoing services, outputs may take the form of information, advice, opinions, alternatives, analyses, evaluations, recommendations, training, and the day-to-day aid of support personnel needed for the successful performance of ongoing Federal operations. One of the three following definitional subdivisions applies to any A&AS:

(1) Management and professional support services, e.g., contractual services that provide assistance, advice or training for the efficient and effective management and operation of organizations, activities (including management and support services for R&D activities) or systems. There is a direct correlation between the basic responsibilities and mission of the agency originating the requirement for the acquisition of services by contract. Included are efforts that support or contribute to improved organization of program management, logistics management, project monitoring and reporting, data collection, budgeting, accounting, performance auditing, and administrative technical support for conferences and training programs.

(2) Studies, analyses, and evaluations, e.g., contracted services that provide organized, analytical assessments/evaluations in support of policy development, decision—making, management or administration. Included are studies in support of R&D activities. Also included are acquisitions of models, methodologies, and related software supporting studies, analyses or evaluations.

(3) Engineering and technical services, e.g., contractual services used to support the program office during the acquisition cycle by providing such services as systems engineering and

technical direction (FAR 9.505—1(b)) to ensure the effective operation and maintenance of a weapon system or major system as defined in OMB Circular No. A-109.

Contracting Officer's Representative (COR)—An individual designated and authorized in writing by the Contracting Officer to perform specific technical and administrative functions. Additionally, CORs serve as on-site technical managers assessing contractor performance against contract performance standards in accordance with the Quality Assurance Surveillance Plan. Personnel in this role have carried titles such as Quality Assurance Evaluator (QAE), Quality Assurance Personnel (QAP), Quality Assurance Specialist (QAS), Functional Area Evaluators (FAEs), and Contracting Officer's Technical Representative (COTR).

Multi-Functional Team (MFT)—A team of stakeholders responsible for a service acquisition. Includes not only representatives of the technical and procurement communities but also stakeholders of the service acquisition and the contractors who provide the services. This team may consist of sub-group(s) responsible for routine contract actions. This team could be a Business Requirements Advisory Group (BRAG), a Mission Area Acquisition Team (MAAT), an Integrated Product Team (IPT), working group, an A-76 IPT or Steering Group, etc.

On-Ramp—Contract provisions that provide the Government the flexibility to assess the status of the contractor pool for multiple award IDIQ contracts and make adjustments are necessary to ensure an optimal mix of premier contractors is maintained in order to facilitate effective competition on orders. On-ramps allow new contractors to be added to the contractor pool during the term of the IDIQ.

Quality Assurance Program Coordinator (QAPC)—Individual responsible for the coordination and management of the Performance Management Assessment Program/ Quality Assurance Program.

Quality Assurance Surveillance Plan (QASP)—The document government personnel use to assess contractor performance (see FAR 46.401, DFARS 246.401, DFARS 237.172), formerly known as the Performance Plan.

Senior Leadership—Includes Wing Commanders, Group Commanders, Headquarters Directors, Program Executive Officers (PEO), Technology Executive Officers (TEO), or similar.

Services Designated Official (SDO)—The Services Designated Official is the individual designated in accordance with 10 USC 2330(b) to exercise responsibility for the management of the acquisition of services. These responsibilities include certifying service acquisitions are performance-based during acquisition strategy formulation and approving, in advance, any acquisition that is not performance-based.

Services Management Agreement (SMA)—Agreement executed between responsible Services Designated Officials (SDOs), organizational leadership, and/or executing organization delineating the expectations, responsibilities, and delegations within the relationship. Term replaces EMA (Expectation Management Agreement).